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ABSTRACT

The basic concepts of the classic PPBS are summarized, and then attention is directed toward the process by which this has been modified by its collision with the values of the university. The form taken by the new modified PPBS is examined and its component concepts and techniques are identified. It is concluded that the new PPBS has limitations and will be based on deeper understanding of the university environment. If it can be welded to a participative planning process, it should escape the criticism of being purely technique-based. It can ensure that a university's planning process conforms to a logical discipline. (LBH)

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THE CONCEPTS OF PPBS AND APPROACHES TO THEIR APPLICATION

JOHN FIELDEN

PROFESSIONAL SEMINAR

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PART B. THE CONCEPTS OF PPBS AND APPROACHES TO THEIR APPLICATION

by John Fielden. Management Consultant. Peat, Marwick, Mitchell & Co

The Changing Definitions of PPBS

Management Techniques have a habit of ebbing and flowing in popularity. While the basic common sense concepts at the root of them remain unchanged the label (or acronym) under which they are grouped together may alter. Thus performance budgeting became PPBS; in the United Kingdom this was called Output Budgeting and finally is now described as Programme Analysis and Review. Since the conceptual elements of these labels alter, the problem of defining what PPBS is has always been a major one. Different organisations with differing chronic problems have tended - understandably - to adopt the PPBS concepts to their local needs. Thus PPBS at Berkeley was vastly different to PPBS at Ohio State University (1) or at Chalmers University in Sweden (2). External political or internal academic pressures will sometimes have so influenced the application of the PPB concepts that their relationship to the initial versions is hard to identify.

This paper will first summarise the basic concepts of the "classic" PPBS and will then study the process by which this has been modified by its collision with the values of the university. We shall then examine what form the new modified PPBS takes and shall identify its component concepts and techniques. These will be the subject of detailed study later in the week.

The Classic PPBS

Five years ago this paper would inevitably have mentioned the names of President Charles Hitch of the University of California and have included a diagram of the PPB cycle developed in the US Department of Defence. Formal structured versions of the old style PPB have since then mushroomed all over the globe. Inevitably they differ. Nonetheless they include 5 basic concepts which can fit into a conventional planning framework.

- the consideration and identification of a university's goal or mission, and the statement of objectives to fulfil them.
- the adoption of an overall planning view taking in the effect of decisions on society and other departments or organisations and considering resource implications of all kinds over time.
- the grouping of activities for planning purposes into programmes that aim to meet defined objectives and can provide if possible measures of effectiveness in achieving the objectives.
- the emphasis on rigorous analysis of alternative options for undertaking programmes employing every available relevant tool or technique. The quantitative verdict of this analysis is then subjected to the qualitative consideration of social, political and moral factors.
- the establishment of linked budgets and plans using measures to gauge the success of the university in achieving its agreed objectives.

The impressive logic of the classic PPB approach inspired many eulogies and considerable over-expectation. Allen Schick's baleful view of US Federal PPB was that its main success "has been to raise the level of expectations about the budgetary process far above what it was a few years ago".(3) Although Wildavsby (4) had as early as 1969 highlighted the problems of applying the classic PPB to federal agencies because of the headlong confrontation between economic and political rationality, the bureaucratic edifice of formal PPB was triumphant for several years.

PPBS in collision with the university

The five concepts of the Defence PPBS have not survived intact in their confrontation with the values and the environment of the contemporary university. They have not lost all their value and have been modified or adapted in the following way:-

a) the setting of agreed objectives for a university institution in

Such a definition is regarded by some "as antithetical to the essence of their way of life." (5) While every institution may have its priorities, and these are fluid, the creation of an agreed heirarchy of objectives and sub-objectives would limit flexibility and autonomy. The major problems facing university objective setters, who plan in an increasingly political environment are the conflict between society's objectives, the university's values and changing consensus, individual staff members' objectives and the growing voice of students with their own views and objectives. These differing levels of objective are not compatible in their basic assumptions, value judgements, timescales or criteria of success.

A further barrier to effective objective setting lies in the basic inseparability of university activities. Effort expended on research can benefit teaching, an involvement in external consultancy can assist internally based research. Similarly there is overlap even in some activities themselves. Research can take many forms; a recent author has defined 5 categories (6), each with very different objectives some of which have more in common with some teaching or public service functions of a university. Precise objectives cannot therefore be identified or defined for each of the university's primary purposes.

b) the adoption of an overall planning view and the emphasis on thorough explanation of all direct and indirect costs and benefits of options are indispensable elements of the university management process. While formerly lip-service was paid to these concepts, universities have now increasingly to justify their expenditures in the context of other alternative national programmes and thus the broad view is fundamental. Similarly, the examination of resource implications must for national reasons be increasingly thorough.

c) For reasons outlined earlier the separation of the three primary activities of a university cannot ever be achieved precisely. Thus, efforts to devise a programme structure and programme budget rest always on the shaky foundation of apportionment of academic time. The indirect expenses of a university, which may approach 30% of the total, are equally hard to allocate. A recent major exercise in output budgeting which has after considerable efforts identified some costs of teaching emphasised the need to distinguish average and marginal costs when planning for expansion (7). Political pressures have favoured the adoption of programme structures as a means of reporting to taxpayers on the purpose for which budgets are expended. Many universities have found themselves compelled to complete programme submissions in which an edifice of dubious apportionments produces neat programme budgets for national decision makers. The problem is one of perspective and level. The leadership inside the university will usually find little or no value in the adoption of a complex programme structure unless the institution has an unusually simplified set of activities or clearly defined objectives in certain areas (eg technical diplomas to a national manpower target). The programme concept can be of value to a university only if the users are watchful of its cost-effectiveness.

d) Analysis is the principal surviver of the clash between classic PPB and universities' values. Balderston and Weathersby hold that Policy Analysis is the key to improved institutional management. (8) They stress that "it uses decisions as the major organising principle instead of activities "and it brings "careful analysis to bear incrementally on specific decision problems and builds up a planning and management 'system' on a case law or precedent basis". I believe that their definition is dangerous since by admitting incrementalism they have lost the overall view and by emphasising the ad hoc analysis they risk the loss

of careful analysis of alternative options is included and this should, I agree, be the key to many improved future decisions in universities. The limitations of quantitative analysis need little emphasis. Over 800 years ago a British civil servant wrote "the sciences of the Exchequer lie not in accounts but in judgements of all kinds". (9) No systems analyst could have phrased it better.

e) The use of output measures to show how effectively a university is achieving its agreed objectives is one of the least applicable concepts of PPB. Although the logic of relating inputs to outputs is infallible, both the unit of measure and the internal relationships between the two are elusive. Yet again the problem of perspective is relevant; whose objectives are we measuring against, over what time scale and with what weighting on the various measures? Nevertheless, although the tools may be missing, the concepts of reporting on effectiveness, even if subjectively, and a seeking for links between inputs and outputs can be of great use. How often does one hear in the university context of budgets allocated on an incremental basis (last year plus x%) with no reference to student numbers as inputs let alone the success or pass rate as graduates? If PPB can help to close the feedback loop alone it will have served universities well.

The five concepts of the classic PPB have not remained intact in the rigorous formal PPB cycle. The internal political ethos of a university which makes it unable (and perhaps inadvisable) to seek common agreement on objectives, and thus measures of success has removed the linchpin of the old PPBS. Does this therefore mean the death of PPB and is there anything of value left in the five concepts?

The New PPBS

Being reluctant to coin further acronyms, I will describe the modified version of PPB that is applicable to universities as the new PPB. The Policy Analysis described by Balderstone and Weathersby has its limitations and bears marked similarities to Programme Analysis and Review (PAR), the British Government's limited version of PPB (10). More can be salvaged from the classic PPB than they suggest.

An emphasis in any organisation on building up a high powered information-hungry planning or analytical team brings danger. The unit will be thought to accumulate power as well as information. However effective its personal contacts with senior academic staff it will be resented. It will also be unable to obtain feedback information on the success of plans and the remoteness of its studies may intensify. Such a fate has befallen many offices of Institutional Research. It is therefore essential that the policy analysis element of the new PPBS is correctly applied. Most universities are not like the President's office at Berkeley and comprise a compact highly inter-related environment. Participative planning can be more of a reality.

I believe that we should explore the feasibility of linking the modified PPBS concepts in a broader way then either Policy Analysis or Programme Analysis and Review suggest. Because of the internal political dangers of sophisticated analytical planning inside a university it cannot stand alone. Alfred Morris referred earlier to his doubts about the value of PPBS in helping to reach agreement on objectives. While I share these, I do not think that we should forget altogether the stimulating effect that a review of objectives and goals can have on fossilised hardened attitudes. Similarly while I believe present searches for precise output measures of university activities are fruitless, I do not think that we should stop relating inputs to outputs. Common sense questioning can still be levelled at extremes and academic value judgements need not be excluded from the analysis.

The new PPBS knows its limitations and will be based on deeper understanding of the university environment than its predecessor. If it can be welded to a participative planning process such as Geoffrey Lockwood has described it should escape the criticism of being purely technique-based. (11) Policy Analysis runs this danger. The new PPBS can be an aid to each of the four factors outlined by Alfred Morris, and should above all ensure that a university's planning process confirms to a logical discipline. While founded on a bedrock of analysis of carefully evaluated options, this will leave room for the idiosyncracies of structure and human conflict with which universities abound. I believe that this week we can re-examine the concepts of PPBS and, unlike Allen Schick, we can pronounce it alive and well. In parody of Mark Anthony in Shakespeare's "Julius Caesar" I can genuinely say "I have come not to bury PPBS, but to praise it".

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